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Canada-Canadian Trade Relations, Standing  
Committee on 1947/48  
(1947-48)

# THE SENATE OF CANADA

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## PROCEEDINGS OF THE STANDING COMMITTEE ON Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 4

TUESDAY, FEBRUARY 17, 1948

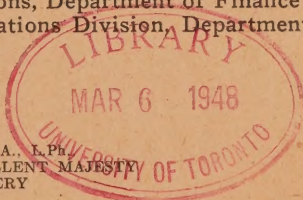
CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. H. B. McKinnon, Chairman, Tariff Board;  
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance;  
Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA  
EDMOND CLOUTIER, C.M.G., B.A., F.P.S.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1948







## ORDER OF REFERENCE

(Extract from the Minutes of the Proceeding of the Senate, December 15, 1947.)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,

*Clerk of the Senate.*

## MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P. C., Chairman

The Honourable Senators

Ballantyne,	Dessureault,	McLean,
Beaubien ( <i>Montarville</i> ),	Duffus,	Moraud,
Bishop,	Euler,	Nicol,
Blais,	Gouin,	Paterson,
Buchanan,	Haig,	Pirie,
Burchill,	Howard,	Riley,
Calder,	Hushion,	Robertson,
Campbell,	Jones,	Robichaud,
Crerar,	Kinley,	Turgeon,
Daigle,	Macdonald ( <i>Cardigan</i> ),	Vaillancourt,
Davies,	MacLennan,	White—(35).
Dennis,	McKeen,	

## MINUTES OF PROCEEDINGS

TUESDAY, 17th February, 1948.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

*Present:* The Honourable Senators—Euler, Chairman; Ballantyne, Bishop, Buchanan, Crerar, Davies, Haig, Kinley, Macdonald, (*Cardigan*), McKeen, Robertson, Turgeon and White—(13).

The Official reporters of the Senate were in attendance.

The Committee resumed consideration on the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard and questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard and questioned.

On motion of the Honourable Senator Haig, the Committee adjourned at 12.30 p.m., to the call of the Chairman.

ATTEST.

H. ARMSTRONG,

*Clerk of the Committee.*



## MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, February 17, 1948.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, at our previous meetings we had explanations from Mr. McKinnon and his associates, of the Geneva agreement and the charter under which the agreement was made, and at the time we adjourned, before the Christmas recess, I think those explanations had been fairly well completed. As I understand it, the purpose of continuing the meetings was to discuss what tariff concessions we obtained.

The Government Leader, Senator Robertson, would like to make a statement and perhaps this would be an appropriate time for it.

Hon. Mr. ROBERTSON: Honourable senators, I would like to state what the situation is now, as far as my information goes. It will be recalled that before the adjournment the subject-matter of the resolution was referred to this committee for consideration, and after some meetings we adjourned over the Christmas recess. For a variety of reasons it has not been possible to meet again earlier than today. Once or twice I had in mind suggesting that a meeting be called, but I found that the room had been pre-empted by some other committees. On another occasion the Chairman was unavoidably away, and on still another occasion I was unable to get in touch with the departmental officials.

The situation as to a possible joint committee of the Senate and House of Commons is a little different from what it was when I mentioned the possibility some time ago. Mr. King had suggested that in the due course the Geneva agreement might be referred to a joint committee. I had no particular ideas about that, but I felt sure the Senate would be willing to co-operate. However, we went ahead with the meetings of our own committee. The House of Commons has so far not referred the matter to a committee of its own, and I understand there is some doubt over there as to the effectiveness of a joint committee. Mr. King told me that members of the Opposition feel that a joint committee would result in repetition, so far as we are concerned, but they would like to have copies of the evidence given here. In any event, the idea of a joint committee has evidently been dropped. I did not press for it because what was suggested was a small committee, and if half the members were senators it would mean that only a few senators would be on the committee, though of course any senator would have the right to attend its meetings.

One purpose in calling this meeting to-day is to decide whether we wish to have further meetings of our committee, and if so what our procedure will be.

Some question has arisen in the Senate as to whether or not the subject-matter, having been referred to the committee, is still before the House. Perhaps strictly it is not. However, the officials are here today, and it occurs to me that perhaps we should continue asking them for information, and after that we could decide on our future course. As honourable senators know, unless some unforeseen business arises I intend to move at the end of this week that the Senate adjourn for two weeks. The committee could either close its hearings today or continue them after the Senate adjournment.

My purpose in making this statement has been to point out two things: first, that there is not likely to be a joint committee; and secondly, that there is some question as to whether or not it is in order to continue discussion of the matter in the Senate while it is before the committee. Whatever the committee decides will be perfectly agreeable to me.

Hon. Mr. DAVIES: Could there be a prolonged discussion in the Senate when the committee reports back?

Hon. Mr. ROBERTSON: Oh, yes. If the committee reported that it had heard evidence, some honourable senators might speak to the matter in the Senate this week. I think it would be highly undesirable to close the discussion this week, because if we continued discussion after the adjournment there might be some information coming from the committee in another place to which honourable senators would like to refer.

Hon. Mr. CRERAR: Mr. Chairman, I think we should continue with our committee until we have got all the information that we desire from those who are competent to furnish it. Personally, I am not greatly enamoured of the idea of joint committees. My observation has led me to conclude that in committee here we look at things perhaps a little more objectively and with a little better balance than, for very good and obvious reasons, is done in a committee of the other house.

The CHAIRMAN: A joint committee is out of the question now, anyway. That idea has been declined by the other house.

Hon. Mr. CRERAR: Well, I am not shedding any tears over that.

The CHAIRMAN: Nor am I.

Hon. Mr. ROBERTSON: I may say that I did not suggest a joint committee originally, nor did I oppose it.

Hon. Mr. CRERAR: I suggest that we continue our hearings and carry the committee over the recess. There is a great deal of information that we can secure. I missed one or two of the meetings and I have not yet had an opportunity to read the reports.

The CHAIRMAN: Mr. McKinnon, Mr. Deutsch and Mr. Kemp are with us this morning again. Unless they wish to supplement anything that they said at previous meetings of the committee, I think we are pretty well ready to go on with the tariff changes. Are there any additional statements you wish to make, Mr. McKinnon?

Mr. McKINNON: From the strict point of view of the schedules there is nothing further, Mr. Chairman. I do not know whether Mr. Deutsch might have something to say from the standpoint of the agreement or the charter.

Mr. DEUTSCH: I have no statement to make, Mr. Chairman; however, I am always ready to answer all questions and I think I can occupy the committee's time sufficiently with general statements.

Hon. Mr. BEAUBIEN: Is the Havana Conference over?

Mr. DEUTSCH: No.

Hon. Mr. BISHOP: Apropos to that, I would like to ask Mr. McKinnon a question. I was reading in the New York Times a long article on the Havana Conference. It stated that the conference was hanging in the balance, and that it may blow up or result in a compromise this week. What I would like to know is, if the worst comes to the worst there, and the conference should collapse, will the concessions which we have secured at the Geneva Conference hold, in any event?

Mr. McKINNON: The answer is yes, Senator, as regard the tariff concessions we got and gave.

The CHAIRMAN: That is, if the agreement passes Parliament?



Mr. McKINNON: Yes, assuming Parliament approves it. Mr. Deutsch may wish to reply to the other part of the question, namely, what would be the situation in the event of a complete collapse at Havana and no charter emerging from it.

Mr. DEUTSCH: As honourable senators know, the Geneva Agreement has two parts; one is a schedule of tariff concessions, as Mr. McKinnon has pointed out; the other part of the agreement consists of a lot of general provisions and undertakings regarding trade practices, rules and so forth. Certain parts of that section are under discussion at Havana. That part of the agreement simply lifted these general provisions out of the draft charter and put them into the Geneva agreement. Those general provisions of the draft charter are under discussion at Havana, and may be changed there; indeed, it seems that some of them have already been changed.

If the conference at Havana does not succeed in producing a charter, then there is provision in the Geneva Agreements, that the signatories to the agreements will meet and consider whether they will carry on or whether they will make changes resulting from the Havana discussion. But the agreement itself is so drawn up that it can carry on. The contracting parties may consider what to do in the light of the Havana discussions, or whether anything ought to be changed, modified or whether they should carry on as is. As I say, the agreements themselves are so drawn up that they can continue, even if Havana does not produce a charter.

Hon. Mr. BEAUBIEN: That is by the countries who are willing to continue?

Mr. DEUTSCH: By the countries who are willing to continue.

The CHAIRMAN: Would you care to express an opinion on the matter? Supposing the Havana Conference collapses, as Senator Bishop has intimated is possible, is it likely that the agreements which have already been made, and which are in effect, I take it, from the 1st of January, will be altered?

Mr. DEUTSCH: As far as the tariff schedules are concerned, I think I am correct in saying that I have no reason to believe that they will be altered in any way.

Mr. McKINNON: That is correct.

Hon. Mr. CRERAR: They would stand.

Mr. McKINNON: They would stand.

Hon. Mr. McKEEN: I take it the only thing that would change the tariff agreements is the failure of the parliament of any country to approve of them?

Mr. McKINNON: That is right.

Hon. Mr. McKEEN: I presume, under those circumstances, they would go back to the same basis as other countries.

Mr. DEUTSCH: That is correct. None of the countries that signed the Geneva Agreement have yet ratified. The signatures at the present are merely those of the executives of each government, and none of the parliaments of these countries have yet ratified the agreements. That includes our own government. It may be, as a result of a Havana failure, that some parliament might not ratify, but we have no reason to believe that will be the case. So far as we know it is altogether likely that they will all ratify, but of course one cannot say definitely.

The CHAIRMAN: The agreements contain more than tariff changes.

Mr. DEUTSCH: Yes.

The CHAIRMAN: For instance, the removal of the ban.

Mr. DEUTSCH: Yes. The Geneva Agreements contain general provisions and general rules apart from tariffs. These general provisions may be changed in some respects, because the provision is that after Havana is over the

countries having signed the agreements will meet and consider whether or not any changes in the general rules are desirable in the light of the Havana Conference. They will consider, among those who signed the Geneva Agreements, if any adaptations should be made, and having considered that, they may then agree on what changes, if any, should be made.

Hon. Mr. CRERAR: What is the deadline for ratification by the signatory countries?

Mr. DEUTSCH: The end of 1948.

Haon. Mr. CRERAR: Apparently the differences which have arisen at Havana are considerable. Have those differences arisen from the seventeen signatory countries, or any of them, or are they from the outlanders?

Mr. DEUTSCH: At Geneva there were eighteen countries, and some territories which have since become countries, such as Ceylon and Burma, making twenty-three separate customs territories represented there. Of those, eight originally signed the agreement to bring it into provisional effect; the others signed the final act at Geneva but did not sign the protocol to bring it into provisional effect. So of the whole twenty-three, only eight brought the agreement into provisional effect on the first of January as we have done. Of course those eight are important and they cover a large part of the world trade; they comprise the United States, Great Britain, Australia, Canada, France, Belgium, Netherlands, Luxembourg. Since then Cuba has also signed. These countries have signed the protocol bringing these agreements into provisional effect.

The CHAIRMAN: They signed all at the same time?

Mr. DEUTSCH: Eight countries brought the agreement provisionally into effect at the same time, on January 1 of this year. The others, of the 23 countries at Geneva, signed the final act but did not bring the agreements into provisional effect. Many of the other countries, Senator, had reservations at one time or another; they did not sign because they had reservations. At Havana those countries returned to their reservations, and in addition to that the countries not represented at Geneva—and there were many because at Havana there are 57, while at Geneva there were only 23—had proposals of their own in the way of amendments to the Geneva charter; and it was those amendments and reservations arising out of Geneva that were the subjects of discussion in Havana.

Hon. Mr. CRERAR: As I understand it, eight countries have now signed the protocol.

Mr. DEUTSCH: Yes, that is correct.

Hon. Mr. CRERAR: And the agreements are indeed in effect except for limitations provided for, such as our own we are discussing now.

Mr. DEUTSCH: Except for legislative changes.

Hon. Mr. CRERAR: What percentage of world trade is covered by these eight signatories?

Mr. DEUTSCH: I would think about sixty or sixty-six per cent.

Hon. Mr. CRERAR: Roughly about two-thirds.

Mr. DEUTSCH: Almost two-thirds.

Hon. Mr. CRERAR: I hope those countries will go ahead, irrespective of what the outlanders do.

Mr. MCKINNON: There has been no suggestion that any one of the eight countries would go back on their signature; in fact there would seem good prospects that at least twenty countries will go ahead. I think that is a fair statement.

Mr. DEUTSCH: We have had no indication that any one of the countries will drop out, but it is technically possible that they might drop out.



Hon. Mr. ROBERTSON: Mr. Deutsch, has not the main point of argument at Havana been due to the opposition of the smaller countries to the elimination of quantitative quotas, through fear that the eight big countries, with their more highly developed industries, would prevent the smaller countries from developing? That argument is understandable from the point of view of the smaller countries.

Hon. Mr. CRERAR: That is the sort of talk that we used to indulge in in this country thirty or forty years ago.

The CHAIRMAN: The "National Policy".

Hon. Mr. CRERAR: I think it would be altogether too bad if some thirty-five of forty countries that represent only one-third of the world's total trade were able to put a pistol to the heads of the eight countries that represent two-thirds of the world's trade. I hope we shall keep that in mind, so far as Canada is concerned, and get this thing going with the eight countries.

Hon. Mr. DAVIES: The reservations that you referred to, Mr. Deutsch, are with regard to tariff agreements, are they not, and have nothing to do with what is being discussed at Havana at present?

Mr. DEUTSCH: I think you have a misunderstanding there, sir. The reservations by the countries that did not sign had to do almost entirely with the general rules, not with the tariffs. They had no reservations on the tariffs. At Geneva a number of the smaller countries, like Chile, were worried precisely about the things that Senator Robertson has been talking about, and they were not ready to accept the abolition of quantitative restrictions for protective purposes; they were not prepared to give up the privilege or the right of imposing quantitative restrictions on imports in order to protect their domestic industry.

Mr. McKINNON: I think we might say that we foresaw that at Geneva, honourable senators, and that was why there was extracted from the charter and abridged edition thereof, called the general agreement. Senator Crerar speaks about the outlanders putting a pistol to our heads, but the pistol in effect is not loaded.

The CHAIRMAN: It is a pop-gun.

Mr. McKINNON: It is a pop-gun. If the twenty-three countries that signed the final act at Geneva, or even the eight that brought it into provisional effect wanted to go ahead on the existing terms of the general agreement, they could go ahead, regardless of the malcontents.

Hon. Mr. KINLEY: Mr. Chairman, the other day I questioned in the Senate whether the rules permitted reference of the subject-matter to the committee before the principle of the subject-matter had been approved by the house. The whole thing that we are considering here might be changed by the Havana conference. I think we should get all the information we can and not be in a hurry in coming to a final conclusion, because some radical changes might be made by higher authority.

Mr. DEUTSCH: If the Havana conference succeeds, as we all hope it will, the provisions in the general agreement with regard to the general rules may be removed and replaced by charter provisions that come out of Havana, some of which may be different from those we now have in the Geneva agreement.

Hon. Mr. KINLEY: In addition to that, conditions have arisen which have led the United States, for instance, to delay putting into effect the trade agreement that we have signed with them.

Mr. DEUTSCH: On the part of the countries that have signed the Geneva agreements there has been a disposition to delay ratification until they see what happens at Havana.

Hon. Mr. KINLEY: We hat a quota on fish going to the United States at a low rate of duty, and in this agreement there is a provision that the duty is fixed. I understand the United States has delayed action on that.

Mr. DEUTSCH: The Geneva agreement required some changes in the United States law regarding valuation, and those changes have not yet been made.

Hon. Mr. BALLANTYNE: Mr. Chairman, this trade agreement is very complicated and I think members of the committee would get a better idea of it if the experts summarized the advantages and disadvantages to Canada. When we are discussing the effect upon countries all over the world it is difficult to get a clear idea of how Canada will be affected.

The CHAIRMAN: You mean as to the tariff changes and so on?

Hon. Mr. BALLANTYNE: Yes.

The CHAIRMAN: I should think we are about ready to find out what specific changes have been made.

Hon. Mr. CRERAR: Before we go into that, there is a question I should like to raise. What would happen if within the next year or two Canada and, say, the United States negotiated an agreement that was more favourable to the passage of trade to and from the United States than the agreements with the other countries? Is there any provision to prevent us from doing that?

The CHAIRMAN: We would have to extend the same advantages to other countries, would we not?

Mr. McKINNON: That is right, Mr. Chairman. As the charter stands at the moment, any two or three countries could make a more agreeable arrangement among themselves than the charter contemplates, but the benefits would have to be extended to the other countries.

Hon. Mr. CRERAR: Would that depend on reciprocity with the other six countries, say?

Mr. McKINNON: If there was a development such as you suggest, Senator Crerar, and Canada made tariff concessions in favour of the United States, and the United States in turn made tariff concessions in favour of Canada, each country would have to extend those benefits to all the other members of the club, if I may put it that way.

Hon. Mr. CRERAR: Irrespective of what the other members of the club might be disposed to do?

Mr. McKINNON: Yes, senator.

Hon. Mr. BISHOP: That is the old most-favoured-nation principle?

Mr. McKINNON: Yes. The most-favoured-nation principle is the cornerstone of the agreement.

Hon. Mr. McKEEN: The other countries might be prepared to make the same concessions as the United States and Canada made to them, and in that event you would have effective in all the countries an agreement within this agreement? Is that possible?

Mr. McKINNON: That might happen, senator, but it would not be mandatory upon the other countries to make those concessions to the United States and Canada, because all these countries would in any event get the benefits of the reductions made by the United States and Canada.

Hon. Mr. McKEEN: But those other countries themselves would have to make concessions, would they not?

Mr. McKINNON: No, sir.

Hon. Mr. McKEEN: They would get the benefits without making any return?



Mr. McKINNON: Yes. The practical situation is that if Canada and the United States were initiating action, each would make every effort to select items on which concessions would be beneficial only or largely to the other. There would be a selective process.

Hon. Mr. McKEEN: Suppose, for the sake of argument, that Canada and the United States made an agreement whereby American fruits and vegetables came into Canada free of duty and Canadian lumber entered the United States free of duty. Could another country export its similar fruits and vegetables into Canada free of duty, without allowing our lumber to enter that country free?

Mr. McKINNON: Yes, sir. That is just the application of the most-favoured-nation treatment.

Hon. Mr. McKEEN: But the most-favoured-nation treatment works both ways, does it not?

Mr. McKINNON: No.

Mr. KEMP: There is an aspect of this which has worked very much to our advantage. At Geneva a good many other countries negotiated and got concessions from the United States, which concessions we received as a big-product of the negotiations, without ourselves giving anything directly in return.

Hon. Mr. McKEEN: We might not be a supplier of the product that another country was exporting to the United States, but that is not true of the kind of case I was suggesting. If the United States agreed to allow our lumber to enter free in return for our allowing their fruits and vegetables to enter Canada free, it seems to me that any other country which wanted to send its fruits and vegetables here free of duty should extend to us the same concession as we got from the United States on lumber.

Hon. Mr. CRERAR: I would not worry much over that.

Hon. Mr. BALLANTYNE: Mr. Chairman, can we get a summary of the advantages and disadvantages of the agreement to Canada?

The CHAIRMAN: Senator Ballantyne would like some specific information on the tariff changes, as I understand it. How many tariff items were changed?

Mr. McKINNON: In the Canadian schedules there are about 1,050 tariff items.

Hon. Mr. BALLANTYNE: I do not wish any very detailed information, but I am just wondering if the experts could not outline the salient facts in a general way.

The CHAIRMAN: Would you like to know first the concessions that we got or the ones that we gave?

Hon. Mr. BALLANTYNE: I do not care which.

Mr. KEMP: Mr. Chairman, the story was summarized in a press release which was issued about the middle of November describing the tariff changes resulting from the Geneva conference. That press release was republished in full in *Foreign Trade* of November 22, 1947.

Hon. Mr. BALLANTYNE: Could you outline what was done about some big items, such as lumber and wheat?

Mr. KEMP: The story is pretty well summarized in two or three pages of the press release, which is of course greatly condensed. I have here a number of black books which contain the particulars regarding each of the items concerned. We have been working on a synopsis of the concessions that we received on the principal items—that is, items in which we have a trade of \$50,000 a year or more with the United States. The previous rate of duty and the present rate will be shown in each instance. The summary now runs to

some twenty-two typewritten pages, and we thought that it might perhaps be helpful to the committee if we could prepare it for publication either in *Foreign Trade* or in the Committee's proceedings, if the committee so desired. However, for this morning's purpose I can run over the principal concessions that we obtained, starting with agricultural items.

On wheat we received a reduction of 50 per cent in the United States duty, together with substantial reductions in the customs duty and/or "monopoly charges" in France, Belgium and Luxembourg, the Netherlands, Cuba and Norway, with binding of free duty or existing duty in China and Brazil. At the present time there is a quota restriction on the quantity of wheat and of flour that can be imported into the United States during any year; but, as Mr. Deutsch explained on a previous occasion, we understand that the United States is to remove that quota when legislative effect is given to the complete contents of the agreement.

Hon. Mr. CRERAR: That will apply to both wheat and flour?

Mr. KEMP: To both wheat and flour.

The CHAIRMAN: What does that 50 per cent reduction in the United States duty on wheat mean in terms of dollars and cents?

Mr. KEMP: The former rate on wheat was 42 cents a bushel, and now it is 21 cents. I cannot tell you the total sum that this will amount to on our exports of wheat and flour to the United States, because for some years past these have been restricted by the quota of which I spoke. And indeed it is a question how far we can expect to be normal suppliers of wheat and flour to the United States, having regard to the fact that that is a country which normally has an exportable surplus of its own. But in years when the United States does require wheat, this change will make it more easy for other countries to supply it.

Hon. Mr. CRERAR: The United States wheat is a winter wheat, but 90 per cent or more of the Canadian production is hard wheat. I recall that years ago, when I happened to be in that business, notwithstanding the duties, we frequently sold important quantities of hard wheat to the United States at a time when that country was exporting softer varieties of wheat. The market that we might get in the United States is not governed solely by that country's production, but by its desire to secure a superior quality of wheat to blend with its softer grades.

Mr. KEMP: That is quite true, sir.

I pass on to another agricultural item, coarse grains. The United States has given us a reduction of 50 per cent in its duties on oats, barley, rye, bran, shorts, middlings, grain hulls, screenings and scalpings.

Hon. Mr. BALLANTYNE: Would that not have the effects of raising the cost of coarse grains to Canadians?

Mr. KEMP: It is quite possible, sir, that if coarse grains were moving to the United States without any restriction on this side, their prices in this country would be affected by the price level in the United States.

Hon. Mr. CRERAR: That would be the case just now.

Hon. Mr. BEAUBIEN: But not in normal times.

Hon. Mr. McKEEN: Exports are still under permit, are they not? For example, you cannot export oats now without a permit?

Mr. KEMP: The feeling was that this agreement had to be made from the point of view of a number of years to come, and not just simply from the point of view of immediately present conditions, which are most abnormal, so far as the grains are concerned.



Hon. Mr. McKEEN: The question was asked whether this reduction in United States duties would not cause the price of coarse grains to rise in Canada. It is not causing them to rise now.

Hon. Mr. CRERAR: Mr. Kemp, the duty on our barley going to the United States was, as I recall it, 15 cents a bushel prior to this arrangement.

Mr. McKINNON: That is right, sir; it was cut to  $7\frac{1}{2}$  cents, if I remember correctly.

Hon. Mr. CRERAR: And oats were 8 cents.

Mr. McKINNON: Oats were reduced to 4 cents.

Hon. Mr. CRERAR: They were reduced from 8 to 4 cents?

Mr. KEMP: Yes; and rye from 12 to 6 cents.

Mr. McKINNON: It was a 50 per cent reduction on all coarse grains.

The CHAIRMAN: 50 per cent is all they can give.

Mr. McKINNON: Yes.

Hon. Mr. CRERAR: That will be a very definite advantage to our producers in the west.

Mr. KEMP: Shall I now pass on to the cattle concessions? The United States has bound its tariff rate of  $1\frac{1}{2}$  cents a pound on cattle weighing 700 or more pounds each; it has enlarged the quota from 225,000 head per year, as it was prior to the Geneva Agreement, to 400,000 head per year. That applies to heavier cattle weighing 700 pounds or more. The rate of  $1\frac{1}{2}$  cents a pound on calves has also been bound and the quota benefited by that rate has been increased from 100,000 head to 200,000 head per year.

The CHAIRMAN: Does that include dairy cows?

Mr. KEMP: Dairy cows are covered by a separate item.

Hon. Mr. DAVIES: I was wondering, Mr. Chairman, if those shipments on that quota are regulated from Canada, or are the Canadian farmers quite free to ship until the quota has been filled?

Mr. KEMP: The usual practice is that the cattle move in freely at the quota rate—the low quota rate—until the authorities in Washington hear from their customs ports that the quota is almost full. At that time they send out a telegram to all customs ports saying that from 12 o'clock on a certain date the higher rate is to apply provisionally. Later on they find out which cattle got in before the quota was actually filled.

Hon. Mr. DAVIES: I do not think you quite understand my question, Mr. Kemp. I am asking you, are those shipments regulated from Canada? For instance, is a certain percentage given to the west and a certain amount given to the east?

Mr. KEMP: No, it is on the basis of first come, first served.

The CHAIRMAN: How do Canadians know when the quotas are filled?

Mr. KEMP: The United States authorities notify their customs people that from a certain date they are to apply the higher rate, but later on they go back and make a refund to those shippers who got their cattle in before the quota was actually filled.

The CHAIRMAN: Some information should be given to the Canadian exporter, so that he would not ship his cattle there and find that he would get stopped at an American port?

Mr. KEMP: We try to do that in the Department of Trade and Commerce. We receive telegrams at frequent intervals from Washington, showing how close the quota is to being filled, and we publish that information in the press as we get it.

Hon. Mr. DAVIES: Do you have any difficulties between the east and the west with regard to shipments? Do you find shipments from the west filling the quota and leaving the east out?

Mr. KEMP: I have not heard of any difficulties. They are all on an equal basis; that is to say, if they get in before the quota is filled they get the benefit, and if it is too late they do not get it.

Hon. Mr. BUCHANAN: Are sales of Canadian cattle not usually made through commission dealers in the United States? I have in mind, for instance, Clay Robinson in Chicago. Do they not handle such deals, and are they not familiar with the situation?

Mr. KEMP: Firms like that would certainly know the situation, as would also our own Canadian firms who do business on a large scale.

Hon. Mr. CRERAR: I think it may be useful to say that we have worked under this quota system for a good many years, and the cattle shippers from Canada to the United States have been able to keep themselves quite well informed as to when the margin would be reached.

Hon. Mr. ROBERTSON: The principle is the same; it is only a larger quota.

Mr. MCKINNON: There might be less difficulties, Senator Crerar, in that we now have a considerably larger quota.

Hon. Mr. CRERAR: That is quite true. Is there a limitation on the light cattle? How are calves defined?

Mr. KEMP: Calves are defined as weighing up to 200 pounds each, for tariff purposes.

Hon. Mr. CRERAR: And what is the quota?

Mr. KEMP: The quota is now 200,000 head per year. I should say that the quota was formerly 100,000 and now it has increased to 200,000 head.

Hon. Mr. BEAUBIEN: And the weight is limited to 200 pounds?

Mr. KEMP: It is limited to 200 pounds for that purpose.

Hon. Mr. CRERAR: As a matter of fact, in the past calves went for the most part from Ontario and Quebec, while heavy cattle went from western Canada.

Mr. MCKINNON: Yes, that is true.

Hon. Mr. CRERAR: What about dairy products?

Mr. KEMP: Dairy products include milk, butter and cheese. So far as milk and cream are concerned we have received a concession—not a very large one, but the duty has been reduced. The principal difficulty in shipping milk and cream to the United States arises from the sanitary restrictions enforced by individual states which prevent these Canadian products from going to that country in large quantities. Otherwise there would be a good market for them in the United States.

Hon. Mr. BUCHANAN: Before leaving agricultural products, what about dairy cattle? Is the quota increased?

Mr. KEMP: There is no quota affecting that type of cattle.

Hon. Mr. BEAUBIEN: There is no restriction on dairy cows?

Mr. MCKINNON: No.

The CHAIRMAN: Is there a duty?

Mr. MCKINNON: Yes.

Mr. KEMP: Dairy cows are not subject to quota. They pay a duty of 1½ cents a pound.

The CHAIRMAN: Is that reduced 50 per cent?

Mr. KEMP: No; it was already 1½ cents under the 1938 agreement.



The CHAIRMAN: And it still is that way?

Mr. KEMP: Yes, it still is that way. The duty is bound and there is no quota.

Hon. Mr. BEAUBIEN: What about pure bred cattle for the improvement of stock?

Mr. KEMP: They go in free of duty if registered.

Mr. McKINNON: We have the same provisions for pure bred cattle.

Hon. Mr. CRERAR: What about powdered and condensed milk?

Mr. KEMP: The United States import duty on skim milk powder is reduced from 3 cents per pound to  $1\frac{1}{2}$  cents per pound. The former rate for whole milk powder was  $6\frac{1}{12}$  cents, the effective nef rate is  $3\frac{1}{160}$  cents per pound. The United States import duty for cream powder is reduced from  $12\frac{1}{2}$  cents to  $6\frac{1}{2}$  cents per pound, and for lactose the rate is cut from 50 per cent to 25 cent ad valorem. The concession on butter imported into the United States was granted to New Zealand, but it is also of interest to us. The rate was reduced from 14 cents a pound to 7 cents a pound on a tariff quota of 50,000,000 pounds imported during the period November 1 to the following March 31. That quota is open to all countries and is not restricted to New Zealand. Under the agreement Canada benefits from a reduction in the rate on unsweetened evaporated milk from  $1\frac{1}{2}$  cents to 1 cent per pound, and a reduction on sweetened condensed milk from  $2\frac{3}{4}$  cents per pound to  $1\frac{3}{4}$  cents. The duty on buttermilk powder imported into the United States remains unchanged at  $1\frac{1}{2}$  cents.

Hon. Mr. BEAUBIEN: What is the duty on our butter from New Zealand today?

Mr. McKINNON: If I remember correctly, five cents.

Hon. Mr. BEAUBIEN: Did it not used to be 14 cents? In view of these concessions granted by the United States, there must be similar concessions granted by Canada to the United States and also to other countries? Am I right in that thought?

Mr. McKINNON: No; this is simply a reduction in the United States duties on butter, negotiated by New Zealand, but we get the benefit of it should we happen to have the butter to ship.

Hon. Mr. BEAUBIEN: But it does not change the situation with respect to our importation of butter from New Zealand?

Mr. McKINNON: No.

Hon. Mr. ROBERTSON: That is an instance of what Senator McKeen brought up, of our becoming a beneficiary, because of negotiations between the United States and New Zealand without an equivalent reduction on our part. Is that not correct?

Mr. McKINNON: Yes; and probably far more important to us—in hurrying over the agricultural items Mr. Kemp did not mention it—was the reduction to Australia on fresh beef from 6 cents a pound to 3 cents. Should we have the beef for sale, we get the advantage of the 3 cent rate.

The CHAIRMAN: Is it not true that with the price of butter in the United States always being much higher than it is here that with the duty down to 7 cents—if we ever had a surplus of butter in Canada, which we never have—we would apparently develop a United States market we would have to go over only a duty of 7 cents a pound. That is right, is it not?

Mr. McKINNON: Yes, but we have paid nothing there.

The CHAIRMAN: But we always have a scarcity of butter.

Hon. Mr. McKEEN: If we had a surplus of butter, we would have it within that six months period when Australia, which is on the other side of the Equator, would have a scarcity.

Mr. McKINNON: Yes; unless we had a very flush product in June and July and had a carry over that we could not dispose of, it would be to no advantage.

Mr. KEMP: Passing on now, gentlemen, to the fish situation. The largest single fish item in which we are interested in the United States is probably fillets of cod and other ground fish. The United States tariff arrangement before Geneva was that there was a certain duty on a quota and a higher duty on imports exceeding that quota. The duty under the quota was bound, but the duty on ex-quota imports was not bound. As a result of the Geneva agreements, the quota remains the same, the duty under the quota is bound, and we have gained in that the duty on ex-quota imports into the United States, which beforehand was free, is now bound too. In other words, before Geneva the United States would have been free, if it saw fit, to raise the duty on imports of fish fillets from Canada in excess of our quota; under the Geneva agreements provisionably applied on January 1, they have now obligated themselves not to increase the duty on ex-quota imports.

Hon. Mr. CRERAR: What was the duty before the agreements came into effect?

Mr. KEMP: The rates of duty have not been changed; they have been bound at the previous rates. The duty on ex-quota imports was and still is  $2\frac{1}{2}$  cents a pound.

In other fishery products the maximum reduction has been given on a great many species. There are, I suppose, at least 50 or 60 different kinds of fish listed in the agreement; I shall not, therefore, try at the moment to go into them in detail, except to say that on nearly all species of fresh or frozen fish there has been a substantial reduction; there have also been reductions on smoked or kippered herring, pickled salmon and various other species. If you wish to ask questions about the fish in detail, we have the particulars here.

Hon. Mr. CRERAR: What will be the duty on whitefish?

Mr. KEMP: I will have to look that up.

Hon. Mr. HAIG: The Senator wants to know if there is any change.

Mr. KEMP: There has been a reduction of  $\frac{1}{4}$  cent a pound.

Hon. Mr. McKEEN: The maximum reduction on white fish?

Mr. KEMP: It was not the maximum but close to it. The rate was reduced from  $\frac{3}{4}$  cent to  $\frac{1}{2}$  cent a pound.

Mr. McKINNON: On most fish duties we got a 50 per cent reduction.

Mr. KEMP: We also obtained concessions on fish products in countries other than the United States. I refer to Belgium, the Netherlands and Luxembourg—the Benelux custom union—where they have bound free entry of fish, fresh or chilled, salted, smoked or dried; and France has reduced her duties to Canada on canned salmon and canned lobster; Brazil reduced the duties on dried, salted codfish, and Cuba reduced on dried codfish; as well as taking off certain revenue duties which were a burden on imports, Czechoslovakia has undertaken to reduce the duties on salted herrings and preserved salmon; India, on canned fish; Norway, on canned lobster, canned salmon and salted salmon. It should be mentioned, however, that several of those countries have not yet put the reduction into effect, notably Brazil, Czechoslovakia, India and Norway. We expect that all those countries will in due course put the reductions into effect, but they have not yet got around to doing it.

Hon. Mr. DAVIES: They did not sign the agreement to put them into effect on the 1st of January, as the others did? I understand that those who signed the agreements were to put them into effect on January 1st.

Mr. KEMP: Those who signed the protocol of provisional application.



Hon. Mr. DAVIES: But these four countries you mentioned have not so signed.

Mr. KEMP: They have not yet signed the protocol of provisional application.

Mr. McKINNON: They have until June, 1948, Senator, to make up their minds and sign.

Hon. Mr. McKEEN: Have there been any countries to which we ship any substantial amount of canned salmon, which have given concessions on canned salmon?

Hon. Mr. HAIG: I thought you were out of the canned salmon business, and the United States was now doing it all.

Hon. Mr. McKEEN: We are afraid we will be out of it.

Hon. Mr. HAIG: The United States has the same rights we have.

Hon. Mr. McKEEN: Russia and Japan are ahead of us.

The CHAIRMAN: But Russia is not in on it.

Hon. Mr. McKEEN: That is the reason the United States would not give a concession on canned salmon because they considered Russia to be the principal potential supplier, and if they gave a concession to Canada they would automatically have given it to Russia, if she came in; and if they did that they would want to get some concessions from Russia. That is the reason they gave us no concessions on canned salmon in the United States.

The CHAIRMAN: The question of Russia's coming in now is rather remote.

Mr. KEMP: The principal concessions that we received on canned salmon, sir, were in Benelux where the duty has been bound at 25 per cent, and in France, where it is has been reduced from 30 to 25 per cent.

Hon. Mr. McKEEN: And there is no other country shipping into those countries at a lower duty than that?

Mr. KEMP: That is right, sir. We enjoy most-favoured-nation privileges in those countries.

Passing on to lumber, we have obtained maximum reductions in the United States duties on softwood lumber, and also a 50 per cent reduction in the internal revenue tax, which is another protective tax, different from the customs duties. These reductions apply to a very wide range of Canadian lumber in various forms. We also obtained maximum reductions in duties on red cedar plywood, veneers (other than of birch or maple, which are bound at 10 per cent), and binding of free entry for wood pulp, poles, ties, staves, and so on. The principal forest products which we exported to the United States before the Geneva agreement, and still do, were newsprint and paper pulp. These were already free of duty, so that the United States was not able to give us any further concession on those items except to continue binding them free of duty.

We also obtained binding by Benelux of free entry for logs, pulpwood and wood pulp, and of low rates on veneer sheets and tongued and grooved wood. We received reductions in the French duties on logs, pulpwood, veneer leaves, tongued and grooved wood, and wood pulp; and India made a concession on Douglas fir timber. The exports of that material to India from Canada have not been very large in the past, but there may be some increase as a result of the concessions that have been obtained.

Hon. Mr. McKEEN: That will apply to ties as well?

Mr. KEMP: Yes, sir.

Coming now to metals, we received very substantial concessions on base metals. There was a reduction by the United States of one-third in the duty

on aluminum metal and of 50 per cent in the duties on aluminum plates, sheet, scrap, and so on. Maximum reductions were also granted on magnesium, tantalum, cadmium, nickel in all form except tubes and tubing, and zinc sheets, scrap and dross, together with binding of free entry and maximum reduction in the internal revenue tax on all copper going into the United States.

Hon. Mr. CRERAR: What is the actual reduction per pound on aluminum?

Mr. KEMP: The United States duty on aluminum used to be 3 cents a pound; it is now 2 cents. The duty on aluminum scrap has been reduced from 3 cents to one and a half cents a pound. On aluminum plates the duty was 6 cents a pound, and it is now 3 cents. Copper enters the United States duty free, but there was an internal revenue tax of 4 cents a pound, which has now been reduced to 2 cents a pound. There was no concession by the United States on lead, as they regard another country as the principal source of supply and will no doubt be negotiating with that country.

Hon. Mr. HAIG: What country is that?

Mr. KEMP: Mexico, I understand. The United States gave us a concession on zinc, the rate of duty on zinc ores having been reduced from one and one fifth to three quarters of a cent per pound; and on blocks and pigs of zinc the reduction is from one and two-fifths to seven-eighths of a cent per pound. It will be noticed that the cut on these metals is not quite 50 per cent, but very close to that. I have here the figures on cadmium, cobalt, tungsten and tantalum, which I will give, if the particulars are required.

Hon. Mr. BEAUBIEN: Are these tariff reductions on our goods going into the United States in effect now?

Mr. KEMP: Yes, sir.

Hon. Mr. BEAUBIEN: Even though not approved by Congress?

Mr. KEMP: Yes, sir.

The CHAIRMAN: From the 1st of January.

Hon. Mr. ROBERTSON: They came into effect as a result of powers given to the President to negotiate reductions up to 50 per cent.

Hon. Mr. BEAUBIEN: Does that apply to reductions in the internal revenue tax that was imposed on certain goods?

Mr. ROBERTSON: Yes.

Mr. KEMP: That tax on most of the metals, where it existed, has been reduced by 50 per cent.

Hon. Mr. ROBERTSON: Under the powers of the President.

Mr. KEMP: Yes, sir.

If I may, I shall now pass on to non-metallic minerals. We obtained reductions in various countries in duties on mica, talc, and corundum. Asbestos, which is one of our substantial exports, was already going to the United States duty free, so there was nothing further they could do for us on this item except to bind continued duty-free entry, which they did. The United States also bound free entry on coal and coke, small quantities of which are shipped there from Canada, and on artificial abrasives, calcium cyanide, gypsum, stone, and sand, including nepheline syenite.

Hon. Mr. McKEEN: The coal item is not changed?

Mr. KEMP: No sir; it is bound free.

Hon. Mr. CRERAR: Were there any duties on iron ores or iron and steel products?

Mr. KEMP: On pig iron and spiegeleisen the United States has bound the existing duty of 75 cents per ton, while the duty of 75 cents per ton on scrap iron and steel has been cut in half. There have been substantial reductions in the



duty on ferromanganese and ferrochrome. On boron carbide the duty of twelve and one-half per cent has been cut in half. On hollow drill steel bars valued at eight to twelve cents a pound, which are of substantial importance to a Canadian producer in western Ontario, the rate, which was formerly 20 per cent with a minimum of one and five-eighths cents per pound, has been cut in half, the new rate being 10 per cent with a minimum of seven-eighths of a cent per pound. Iron and steel rails are bound at one-tenth of a cent a pound, and fish plates have been reduced from one-quarter to one-eighth of a cent per pound.

The CHAIRMAN: Have exporters and possible exporters of these products been informed of these reductions, so that they might take early advantage of them?

Mr. KEMP: We have done our best, sir. This material has been published and copies have been widely distributed. In addition, copies of the complete Geneva agreement have been issued to a number of trade organizations, and individual firms can get copies from the Ryerson Press, in Toronto, which I understand is maintaining a supply. We have had a considerable volume of correspondence with a large number of Canadian firms that have written in to ask exactly where they stand.

The CHAIRMAN: Have you noticed any appreciable increase in exports of some of these commodities as a result of the concessions?

Mr. KEMP: It would be pretty early to notice any increase yet, Mr. Chairman, because the concessions became effective only on the 1st of January.

Hon. Mr. KINLEY: Is this arrangement reciprocal? The United States has lowered the rates on our iron and steel going into that country; have we made the same reduction applicable to those goods coming from the United States into Canada?

Mr. McKINNON: The arrangement is not reciprocal on iron and steel, because the United States tariff rates on most iron and steel items, including all the primary forms up to the rolling mill stage, were considerably higher than ours. In many cases the 50 per cent reduction in United States duty would still leave the rate higher than ours, so we did not lower our duty.

Hon. Mr. KINLEY: This applies to Belgium also?

Mr. McKINNON: Yes. The reduction that the United States made would apply to Belgium as well as to Canada, and any reductions that we made would apply to Belgium as well as to the United States. But on iron and steel items in the basic primary forms up to and including rolling mill products we made very little if any reduction, because of the fact that the United States rates were so much higher than ours.

Mr. KEMP: Now, if I may, I will pass on to chemicals. There is a substantial chemical industry in this country, and we obtained maximum reductions in United States duties on acetic anhydride, vinyl acetate and synthetic resins, selenium dioxide and tellurium compounds, aluminum hydronide, ammonium nitrate, calcium carbide, acetylene and other blacks, and salt, with reductions in duties on acetic acid and crude barytes.

The CHAIRMAN: Do honourable members know what most of those items are?

Hon. Mr. HAIG: I would ask Mr. Kemp not to read so fast. The only item I understood out of that list was salt.

Mr. KEMP: We would have liked to get a reduction in the duty on refined barytes, which is produced in large volume in Nova Scotia and is used in the process of drilling for petroleum and also in the manufacture of certain paints.

The CHAIRMAN: Is there any common or garden variety of name that you could use to describe some of these things instead of referring to them by their scientific names?

Mr. McKINNON: One of those items which is very well known is acetic acid, of which we are very large producers and exporters. We have had a tremendously important market for acetic acid in the United States for years.

Hon. Mr. KINLEY: It is made largely from sawdust, is it not?

Mr. McKINNON: It is a by-product of relatively cheap power, senator. We have been very large suppliers of that as well as of most of the other chemicals that Mr. Kemp has named. In fact, we got the reductions in duties because we were the principal source of supply.

Mr. KEMP: Another chemical on the list whose name will be familiar is calcium carbide, which is now used very widely for industrial purposes. I mentioned also ammonium nitrate, which is another by-product of cheap power in this country, and it is of substantial importance to us.

Hon. Mr. KINLEY: Are we large importers of salt from United States?

Mr. KEMP: Yes, sir.

Hon. Mr. KINLEY: In the Maritimes we get our salt from the Bahamas and the Mediterranean.

Hon. Mr. McKEEN: On the Pacific Coast our supply comes mainly from San Francisco.

Mr. KEMP: When going through this list of principal concessions that we received I skipped some agricultural items. I should mention seed potatoes, on which we obtained an increase in the United States quota from 1,500,000 bushels to 2,500,000 bushels. On turnips we received the maximum reduction in United States duty. We also got concessions on various kinds of seeds. There was a maximum reduction in the United States duties on alfalfa, red clover, alsike clover, sweet clover and timothy, with reductions on other grass and forage seeds.

I believe that apples were discussed at a previous meeting of the committee. It was also stated that we got reductions in the United States duty on blueberries, both fresh and canned, as well as on other berries. That will be of particular interest to the provinces of Quebec and Nova Scotia.

Hon. Mr. BEAUBIEN: What was the duty on blueberries before the concession?

Mr. KEMP: Under the Hawley-Smoot tariff, the duty was 35 per cent on frozen and canned blueberries and  $1\frac{1}{4}$  cents per pound on fresh blueberries. In the 1935 agreement the duty on frozen and canned blueberries was reduced to 25 per cent; in the 1938 agreement with the United States a reduction to  $17\frac{1}{2}$  per cent was obtained for the frozen and canned berries, and the duty on fresh blueberries was cut to 1 cent per pound. At Geneva the United States duty on frozen and canned blueberries was reduced to 10 per cent *ad valorem* and the duty on fresh blueberries was confirmed at 1 cent per pound. We tried especially to obtain a reduction in the duty on frozen blueberries and did obtain a substantial cut in it.

Hon. Mr. HAIG: Can you tell me the amount we receive from the sale of blueberries to the United States by provinces?

Mr. KEMP: I shall have to look it up.

Hon. Mr. HAIG: How much a basket, for instance, did we sell them for?

Mr. KEMP: In 1946 we exported about 15 million pounds of blueberries from eastern Canada to the United States at a total value of something in excess of \$3 million.

Hon. Mr. HAIG: What quantity came from western Canada?



Mr. KEMP: I do not think any moved from western Canada.

Mr. McKINNON: The blueberries were all shipped from eastern Canada in a commercial way.

Mr. KEMP: The commercial supplies are in the east.

Hon. Mr. BEAUBIEN: I could take my friend to places such as South Junction and Sprague, and show him hundreds and hundreds of baskets of blueberries being taken across the line.

Hon. Mr. CRERAR: They are probably smuggled over.

Mr. McKINNON: That may be true, Senator Beaubien, but the big commercial trade is from the east, where they ship by the carload.

Hon. Mr. HAIG: I have no doubt that some blueberries are taken across the border, but I know the bulk of them that come to the city of Winnipeg are from eastern Ontario.

Mr. McKINNON: I think the significant thing is, Mr. Chairman, that the duties on fresh and frozen berries have been reduced in successive agreements from 35 to 10 per cent.

Mr. KEMP: There are a number of miscellaneous products, that might be mentioned here. We have obtained further reductions in the United States duties on maple syrup and maple sugar. The duties already were fairly low, but they have been reduced a little more. Reductions were made in honey, hay, straw, millet, dry peas, beef and veal. Mr. McKinnon has mentioned that the reduction in the duty on beef is substantial, from 6 cents a pound to 3 cents a pound. Further reductions were given on lamb, mutton, wool, dried and frozen eggs, canned fruits, dried potatoes, potato starch, onions, various fresh vegetables, certain processed and canned vegetables, soups, juices and sauces, most vegetable seeds and tobacco.

There remain only two main classes of items to mention; one is the United States duties on spirituous liquors. Both the United Kingdom and Canada have a substantial interest in those duties, and considerable reductions were made in the duties on whiskey and gin. We pass now to the manufactured goods.

Hon. Mr. BUCHANAN: Did you mention canned goods a moment ago?

Mr. KEMP: Yes, canned vegetables.

Hon. Mr. BUCHANAN: Have we much of a market now with the United States in that type of product?

Mr. KEMP: Not a very large one, sir.

In respect to the various manufactured goods, we were not in general the principal negotiators with the United States; as you know, they preferred to negotiate largely with the principal source of supply. The manufactured goods in which we had the principal interest, and on which we obtained concessions in the United States, included electric stoves and other appliances employing an electric element; aircraft and parts, pleasure craft, reciprocating locomotives, many articles and wares of metal, paint brush handles, baby carriages, canoes and paddles, mop handles, skis, hockey sticks, toboggans and equipment for exercise or play. We have, as honourable senators know, an important pipe organ industry in Canada, which has been doing a substantial export business. We have obtained a further reduction in the duties on pipe organs and parts, and also on rubber substitutes and synthetic rubber.

The CHAIRMAN: Do we export synthetic rubber?

Mr. KEMP: Yes.

The CHAIRMAN: But the United States has large equipment for the manufacture of that commodity?

Mr. DEUTSCH: We have shipped substantial quantities since the war, and are shipping it now, sir.

Mr. KEMP: Among our most import exports of manufactured goods are agricultural implements and parts. They already enter the United States duty free and that condition still continues to be bound under the Geneva Agreement.

Hon. Mr. CRERAR: Bound both ways?

Mr. KEMP: Yes, sir.

The CHAIRMAN: They come into Canada free, as well.

Mr. KEMP: Yes, sir. There have also been a number of bindings of duties or reductions of duties on manufactured goods in other countries, but except for the ones I have mentioned, they are of less importance quantitatively.

It should be remembered that Canada has not been the principal source of supply of the more highly manufactured goods, and consequently the benefits that we receive in other countries' duties on manufactured goods come to us very largely as a by-product of the most favoured nation principle, rather than as a result of direct negotiating by ourselves.

Hon. Mr. CRERAR: What about copper and aluminum wire and kitchenware made from aluminum?

Mr. KEMP: On hollow or flat ware, iron or steel, the Hawley-Smoot rate was 40 per cent; the rate was still 40 per cent in 1946, and under the Geneva agreements it was reduced to 20 per cent. Our exports to the United States in 1946, under the 40 per cent rate amounted to \$109,000. We hope that with the rate now cut in half we may be able to do better on that item. The same reduction was made on hollow or flat ware of base metals, not elsewhere specified, which would cover everything but iron and steel items.

The CHAIRMAN: Would it cover nickel?

Mr. KEMP: It would include nickel. The Hawley-Smoot rate was 40 per cent and it continued to be 40 per cent in 1946. That item was cut in half, which makes it now 20 per cent. Our exports to the United States in 1946 amounted to \$53,000 for that group of articles.

Hon. Mr. CRERAR: What about wire?

Mr. KEMP: There are approximately 25 items for wire; it depends on the materials.

Mr. McKINNON: With respect to aluminum ware Senator Crerar, we reached a complete reciprocal schedule all the way through from the aluminum pig to the ingot and most finished products. The rates were considerably higher, but they have been reduced subject to approval by parliament on both sides, with the result that we now have our aluminum products on a completely reciprocal schedule affecting fifteen or twenty items. The wire rate is 22½ cents a pound.

Mr. KEMP: We have here the figures for copper wire, which is covered by Item 316a in the United States tariff. The Hawley-Smoot rate on that was 35 per cent plus 4 cents a pound internal revenue tax; that rate continued in 1946, but at Geneva both these rates were cut in half, so that the new rate is 17½ per cent *ad valorem* plus 2 cents a pound internal revenue tax. Our exports to the United States of that item in 1946 amounted to \$72,000.

Hon. Mr. HAIG: The internal revenue tax is put on their goods as well as ours?

Mr. KEMP: Not in this case, sir. The internal revenue tax in some instances was put on as an additional means of protection.

The CHAIRMAN: We formerly called it specific duty.

Mr. KEMP: There are two different families: the tariff and the internal revenue tax, but they have the same purpose.

Mr. DEUTSCH: The reason for it, Mr. Senator, was that when they wanted to give particular protection to an item, and they did not wish to open up the whole tariff question, they simply put a tax on the item.



The CHAIRMAN: They put it only on imports.

Mr. DEUTSCH: On imports.

The CHAIRMAN: In terms of *ad valorem* duty it would run very high, but the people did not know it.

Hon. Mr. BUCHANAN: As a result of our trade negotiations, what has taken place that would develop our trade with South American countries?

Mr. KEMP: There were only two South American countries represented at Geneva: Chile and Brazil. Neither of those countries has as yet put the new rates into effect. As to the remaining South American countries, we look with hope to the results of the Havana conference and the possibility that these countries will see fit to join the organization.

Hon. Mr. HAIG: I do not wish to embarrass you, but have you any report on the Havana conference as to what progress is being made?

Mr. MCKINNON: The discussion at Havana relates to the principal clauses of the general agreement rather than tariffs. Mr. Deutsch could answer your question.

Hon. Mr. HAIG: What progress is being made, Mr. Deutsch?

Mr. DEUTSCH: It has been very difficult, sir; the main trouble, as Senator Robertson said at the outset has been the right to use the quantitative restrictions for protective purposes. That has been the main difficulty. The Geneva agreement, as you know, Senator, does not permit the use of quantitative restrictions. Many of the countries at Havana wish to obtain the right to use them, and that question has been a difficult one. At this stage of the conference it is still not solved.

Hon. Mr. HAIG: If the Havana conference fails does the agreement which you have made with certain countries still stand?

Mr. DEUTSCH: Yes.

Hon. Mr. HAIG: There is no danger, for instance, that the agreement you made with the United States would not stand?

Mr. DEUTSCH: Even if Havana were not to succeed, the agreements with the eight countries would continue. I must point out, Senator, that none of the countries have as yet ratified it, and I cannot say what their parliaments will do.

The CHAIRMAN: With respect to the United States, the President has the power to act without referring it to Congress?

Mr. DEUTSCH: That is perfectly true, but while the United States has signed the protocol of provisional application, and the President has full power to ratify, he has not yet done so.

The CHAIRMAN: Is there any danger that he may not?

Mr. DEUTSCH: No, I should think there would be no danger of his not doing so, if all the other countries do. We do not expect any of the countries to fail to ratify, but their parliaments still have to act.

Hon. Mr. BUCHANAN: Did I understand you to say that there is a much larger representation at the Havana conference than there was at the Geneva conference?

The CHAIRMAN: Yes. There were twenty-three countries represented at the Geneva conference and there are fifty-seven represented at the Havana conference.

Hon. Mr. BUCHANAN: Is there a greater representation from the South American countries?

Mr. DEUTSCH: Yes, every South American country is represented at Havana.

Hon. Mr. BUCHANAN: Were they invited to Geneva?

Mr. DEUTSCH: No. The countries who had representatives attending the conference at Geneva were selected by the Economic and Social Council of the United Nations. They were appointed for that.

Hon. Mr. BUCHANAN: Why were these other countries left out?

Mr. DEUTSCH: Senator, the theory was that a draft agreement could not be drawn with sixty countries present. In other words, a group small enough had to be selected so that it could make real progress in drafting an agreement and a charter. The countries were chosen as a nucleus to do the drafting work, and later on they were to submit the result of their work to the world conference which is now going on in Havana.

Hon. Mr. KINLEY: And the world conference can amend or change the charter?

Mr. DEUTSCH: Yes. They are only discussing the charter. They are not discussing our tariff agreements.

Hon. Mr. ROBERTSON: Is it not right to say that these agreements have been entered into by a group of countries whose interests are more or less the same in that they are perhaps a little further advanced in industrial development and represent, as you have pointed out to Senator Crerar, about two-thirds of the world's trade? Now, there are thirty odd smaller countries to whom the problem of reconciling the abolition of quantitative restrictions, in their minds at least, presents for them a very great problem. On the other hand, they are naturally anxious to get into the club and enjoy the benefits that come from trading with countries who do so much trade. It seems to me that Havana's difficulty is to reconcile these two conflicting viewpoints.

Mr. DEUTSCH: That is exactly right.

The Committee adjourned to the call of the Chair.